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NO. 72

DATE: 18 October 1949

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OFFICE OF REPORTS AND ESTIMATES, CIA
FAR EAST/PACIFIC DIVISION

INTELLIGENCE HIGHLIGHTS NO. 72
12 OCTOBER to 18 OCTOBER 1949

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

Overseas Chinese in Southeast Asia are withholding their support from the new People's Republic at present, for fear of possible reprisals on the part of their local Governments (p. 2).

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The puppet Republic of northern Korea has issued an attack on UNCOK (p. 3).

The People's Republic of China is exercising all possible pressure to bring about the defection of major powers from the United Front opposed to recognition of the new regime (p. 4). Meanwhile, Szechuan appears to be the next target for the Communist armies (p. 4) and the loss of Canton has widened the National Government's political cleavage (p. 5).

Despite reinforcements and increased expenditures, the French military effort in Indochina has failed to make significant gains, while Ho Chi Minh's resistance forces continue to grow in strength (p. 6).

Mounting local tension over maintenance of the cease-fire agreement in Indonesia threatens an outbreak of general hostilities there which would gravely imperil the chances for success in negotiations at The Hague (p. 7).

While all evidence points to the likelihood of sporadic violence in the Philippines before and during the 8 November elections, Government security forces are believed capable of preventing large-scale disturbances (p. 8).

The marginal notations used in succeeding sections of this Weekly ("A", "B", or "C") indicate the importance of the items in D/FE opinion with "A" representing the most important.

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- 2 -

SECTION II. DEVELOPMENTS IN SPECIFIED AREAS

GENERAL

Overseas Chinese sit on fence--The formal establishment of the People's Republic of China has not yet caused a general and overt swing towards support of the new Communist regime among Overseas Chinese in Southeast Asia. Despite such instances of support for the new government as occasional congratulatory messages to MAO Tse-tung and isolated public demonstrations, most Southeast Asian Chinese, faced with hostility on the part of their local Governments, are displaying an attitude of cautious temporizing toward Communist China. Although anticipated pro-Communist demonstrations in Thailand, Burma and Malaya during the Chinese "Double Tenth" (10 October) holiday were forestalled by local governmental actions, the paucity of open support for the new regime throughout the region indicates that the majority of Overseas Chinese will remain on the fence at least until the question of recognition is settled. The present anomalous position of Overseas Chinese - lacking effective protection of their interests by the Nationalist Government and not yet assured of adequate guardianship by the Communists - makes it doubtful that many would risk the displeasure of the anti-Communist and anti-Chinese governments of Southeast Asia before these governments establish formal relations with the People's Republic. "B"

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- 3 -

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KOREA

Northern regime threatens UNCOOK--Pyongyang Radio on 14 October broadcast the "B" text of a statement of protest allegedly transmitted to UN Secretary General Lie and General Assembly Chairman Romulo by Foreign Minister Pak Hun Yung of the Democratic People's Republic. The statement contained familiar northern Korean claims that all UN activities in Korea have been illegal and that the United Nations Commission on Korea (UNCOOK) has become a "tool of US imperialism." Should the UN continue in the future to adopt resolutions on the Korean issue without the participation of "true" representatives of the Korean people, the statement went on, such resolutions will be considered null and void and the Korean people will mobilize every means at their command to force UNCOOK out of Korea.

Northern Korean leaders probably do not believe that such statements will have any effect in deterring General Assembly action to continue the life of UNCOOK. Rather, such statements probably are designed primarily for domestic consumption, in order to stir up native Korean nationalist sentiment against the "interference" of foreign nations in Korean affairs. Despite some friction between UNCOOK and the southern Republic of Korea, the value of UNCOOK is generally accepted and Communist propaganda will hardly succeed in developing mass Korean opposition to the continued functioning of the Commission.

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- 4 -

CHINA

"United front" on recognition may not hold--The "united front" of the leading "A" nations of Asia and the West, in regard to the question of de jure recognition of the Communist-controlled People's Republic as the National Government of China, may collapse before the end of this year. The Communists, believing that a break in the "united front" on the part of one major power would cause the dissolution of the entire structure, are endeavoring to persuade certain major powers, and especially the UK and India, that their interests in China cannot be protected or advanced in the absence of recognition. The US and India are known to be more favorably disposed to granting rapid recognition than is the US, and a conference of top UK officials in Southeast Asia, scheduled for next month in Singapore, will undoubtedly take up this question.

India appears to have been impressed primarily by the nationalistic motivation, rather than by the Communist domination, of the Chinese revolution. Moreover, India does not regret the decline of the Nationalist regime, which it regards as dependent upon and subservient to the West. Although India probably will not recognize the People's Republic without warning the US and UK of its intention, it is quite likely to accord recognition in spite of US-UK objections. This may happen at any time and is anticipated before 1950, unless the implications of seating the Chinese Communists on the UN Security Council (especially in regard to the Kashmir issue) should prove an overriding consideration.

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Most US observers believe, on the contrary, that "Titoism" will develop in China, if at all, only after the People's Republic has been forced into economic dependence on the USSR and has got its fill of Soviet exploitation in the name of "friendship."

Szechwan appears next on Communist list--The easy Communist occupation of "B" Canton has reduced Nationalist control in mainland China to the southwestern provinces of Szechwan, Kweichow, Yunnan and Kwangsi. Szechwan, China's most populous province, and its major cities, Chungking and Chengtu, are the most inviting objectives for the next Communist offensive. An attack on Szechwan may begin within the next two weeks and the province's major centers probably will be in Communist hands by the end of 1949.

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- 5 -

The high, rugged mountains surrounding Szechwan limit possible avenues of invasion. From the north, the most suitable route for major troop movements is the mountain highway south from Nancheng in Shensi, to Kwangyuan in Szechwan and thence to the Szechwan basin and the cities of Chengtu and Chungking. From the east, there are two roads, one from the Patung-Enshih area of northwest Hupeh and the other from the Changte-Yuanling area in Hunan. These routes join just inside the Szechwan border and from there a single road leads directly to Chungking, some 190 miles further west. From the south, a highway leads to Chungking from Kweiyang, capital of Kweichow, a little over 200 miles to the south. At the present time, the Communists are in position at only one of these four departure points, the area of Changte and Yuanling in Hunan.

Nancheng in Shensi is HU Tsung-nan's present headquarters. It is believed that HU can muster no more than 20 to 25 thousand combat effectives despite all Nationalist reports to the contrary. The morale of HU's forces is pitifully low and his field-generalship leaves much to be desired. The Patung-Enshih area of Hupeh is presently defended by some 100,000 men under SUNG Hsi-lien. Nominally under PAI Ch ung-hsi's command, SUNG is considered unreliable and is expected to offer no more than "face-saving" resistance at best.

Within the boundaries of Szechwan, there are some 35,000 Nationalist troops as well as an undetermined number of indifferent provincial levies, together with small forces who owe allegiance to none but their individual warlord commanders. Against these troops the Communists can throw the 150,000 men of PENG Teh-huai's First Field Army, as well as elements from the commands of LIU Po-cheng and LIN Piao, totalling more than that number. These are first-class forces, capable of overrunning the defenses of the province in short order and the actual launching of the Communist attack presumably awaits the redisposition of these troops. This redisposition, while unreported as yet, is probably already well under way.

Capital shift weakens Nationalists further--Canton's fall and the Government's "official" removal to Chungking, the second "provisional" capital in six months, have almost fatally weakened the Nationalist regime's political position. Nationalist China today is split both geographically and politically.

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While the reported arrival in Chungking of some top administrators, headed by "Acting President" LI Tsung-jen, indicates Nationalist concern with the maintenance of a mainland capital, most legislators and other officials realistically left Canton for the island of Taiwan. There appears to be no reasonable doubt that Taiwan will be the National Government's ultimate refuge and stronghold.

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- 6 -

Although LI's trip to Chungking may demonstrate his intention to remain in office for the present, his rivalry with CHIANG, intensified by the Canton debacle, will make the solution of such urgent problems as financial support for the Chungking regime extremely difficult.

Activities of the mainland Nationalists will be gravely handicapped both by lack of popular support in the Southwest and by the maneuvers of local warlords in Szechwan and Yunnan. Although CHIANG Kai-shek's recent Szechwan visit temporarily strengthened Nationalist authority, provincial disaffection can be expected to reassert itself as Communist armies enter or threaten to enter the region (see above).

NEWS NOTES

The Nationalists lost their last two major ports on the Chinese mainland when the Communists walked into Canton and Amoy on 15 and 17 October. These ports, the only ones of any size remaining in Nationalist hands, were abandoned without a fight.

Shanghai suffered its heaviest air attack to date on 15 October. The bombing was described as "inaccurate" and "indiscriminate." 25X1X6
25X1X6 [REDACTED] has reported that FAI Chung-hsi suffered "heavy losses" when he was forced by the "Generalissimo's treachery" to fight his way out of Hengyang.

Senator Smith (R., New Jersey) arrived on Taiwan on 16 October in General MacArthur's personal plane. Senator Smith "exchanged personal views" with CHIANG Kai-shek in a 2-hour meeting. General Chennault arrived from Hong Kong on the same day. A Nationalist station, calling itself "The Voice of Free China", has begun broadcasting from Taiwan.

INDOCHINA

Review of the military situation--Although the French last week mounted an "A" attack on the Vietnamese resistance stronghold of Vinh, an important arms-smuggling port possession of which has been unchallenged for nearly three years, official communiques offer little hope that the overall French military position will be improved in the near future. Arrival of some ten thousand reinforcements from France and North Africa during the past several months (bringing troop strength in Indochina up to approximately 130,000) has not reversed the steady deterioration of the French position in three out of four major fighting areas. Only in the Hanoi area has there been any improvement.

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- 7 -

Indicative of a growing desperation on the part of the French command is the willingness to take military measures prejudicial both to the immediate and to the long-run well-being of the Indochinese economy. Fruit trees and coconut palms bordering on military routes have been cut down in large numbers for reasons of military security. Railroad workshops and rolling stock in resistance areas have been destroyed. Nearly a thousand junks and sampans plying the river network of Cochinchina were sunk in recent operations, thus aggravating a shortage of rice in Saigon already made severe by a resistance blockade of the major producing area to the west. Rice exports for the first half of 1949, as a result, were about 8% of prewar.

Resistance capabilities, on the other hand, appear to be improving. French High Commissioner Pignon has stated that Vietnamese military operations have passed beyond the guerrilla stage and that a "real war" is now under way in Tonkin. The southern advance of the Chinese Communists is expected to permit a flow of arms from China into Vietnamese resistance areas, thus imposing a further strain on French resources in order to counter such increasing pressure. During the 3-year period ending in 1948, French military expenditures in Indochina totalled more than \$US 430 million. It is estimated that operations for 1949 will require an increase of 60% over the previous year's expenditures. The time appears to be approaching rapidly when the French will be faced with the choice of granting full sovereignty to Vietnam, or accepting the consequences of a costly military disaster.

INDONESIA

Cease-fire violations threaten Round Table Conference--Charges of violation "A" of the hitherto reasonably successful Netherlands-Republican cease-fire agreement have increased to the point where current negotiations at the Round Table Conference may well be endangered. Although no attacks have been sanctioned by either side, several armed clashes and a deterioration of official relationships, have resulted in rising tension during recent weeks until, at present, widespread fighting is threatened throughout East Java.

Recent Dutch complaints that their military positions are being undermined by the "infiltration" of Republican forces in accordance with a well-defined plan have brought Republican replies that the alleged infiltration process is nothing more than the emergence of underground units already present in the areas concerned. Dutch charges that Republican-sponsored "shadow administrations" are forcibly replacing Dutch-established civil governments in certain rural localities are countered by Republican explanations similar to those offered for their "infiltration" tactics. The Dutch

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- 8 -

have claimed, further, that the Republican Army is being infiltrated by great numbers of extremists, who hold no allegiance to the Sukarno government and will be in a position to overthrow the Republic as soon as Dutch sovereignty is relinquished. The Republicans say that this peril is greatly exaggerated. The Republicans maintain that, according to the truce agreements, the Army was to be supplied with food and clothing by the Dutch during the truce and that this has not been done. Republican spokesmen put the blame for increasing impatience and looting in their Army on this lack of food and clothing. The Dutch deny such an understanding, although admitting a recent informal agreement to aid certain units in West Java. However, they say that logistics problems have delayed the fulfillment of this promise.

Recently, perhaps as a result of uneasiness both over their exposed positions and the general deterioration of relations, the Dutch on several occasions have surrounded and disarmed small guerrilla bands. The Republicans, in turn, have retaliated by ambushing a number of Dutch patrols. Instead of settlement of such incidents on the level of local military command, they are being vigorously argued at high government levels. This week, the Republican Minister of Defense publicly accused the Dutch of legalistic "unreasonable-ness" and stated that, as the result, a "rapidly deteriorating situation" was developing which could result in open warfare throughout Java and Sumatra. The Dutch countered the Defense Minister's charge by stating that such public criticism, in itself, was a violation of the truce agreement. Meanwhile, tension in Indonesia is mounting to the point where a single serious armed clash might well lead to a general conflict. Should such hostilities commence, any successful termination of the conference at The Hague would be highly improbable.

PHILIPPINES

Bloodshed and termites--Violence threatens the Philippines as the bitterly- "B" contested presidential campaign enters its final three weeks. Sporadic gunplay has already been reported at widely separated points - the latest incident being the murder of a provincial campaign manager for the minority Nacionalistas on 16 October. Earlier, a minority poll inspector was killed and four other recent killings have been attributed to political strife.

A high Nacionalista has stated that his party is organizing combat units, composed of men "not afraid to die", to prevent election frauds and counter-act anticipated terrorism by Quirino's Liberal Party and the Government Constabulary during the 8 November election. Upon returning from a campaign tour last week, Nacionalista candidate Laurel charged "there are definite indications of fraud and terrorism in the provinces...Beyond the ballot, thus paralyzed and violated, what other recourse is there for the people but recourse of arms?"

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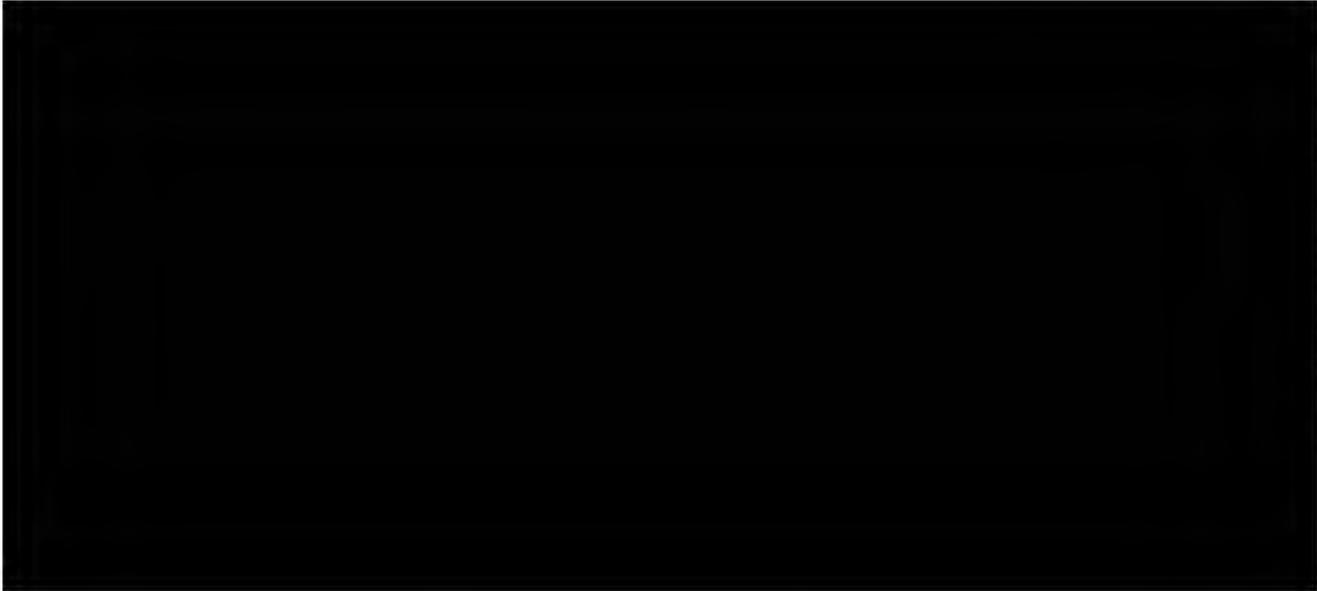
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- 9 -

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The Government is aware of the dangers of election disturbances by all factions, including the Communists, and is apparently making serious efforts to control the situation. Manila police have conducted raids in the capital city to uncover subversive activities and the Constabulary has once again launched an anti-Huk drive in central Luzon to "clear the ground" for the coming election. Nevertheless, outbreaks of lawlessness are expected throughout the Republic on 8 November. Illicit firearms are plentiful and the strong sentiments connected with the election contest make sporadic incidents of violence a certainty. "Irregularities" at the polls, including "termites in the ballot boxes", will furnish supporters of all political factions with ample excuse for disturbances. The Government's law-enforcing agencies, however, are deemed capable of keeping the situation under control.

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